

East Coast College Audit Committee Meeting 1st December 2020 Video Conference

Present:	Giles Kerkham (GK) Albert Cadmore (AC) Roger Cracknell (RC) and Christina Sadler (CS)
In attendance:	Wendy Stanger (Director of Governance) Urmila Rasan (Deputy Chief Executive) Rob Newell (Head of Finance) Dan Harris (RSM Internal Audit) and Sharon Gravener (ScruttonBland External Audit.)
Private Session with the Internal and External Auditors	
<p>A private session was held with the Internal and External Auditors. No issues of concern were raised and the Auditors noted that the College had worked constructively and maintained controls through a very difficult period.</p> <p>The External Auditors raised that bank covenants needed more detailed monitoring and this was set out in the management letter.</p>	
A/20/12/1	Membership, Apologies
<p>The Deputy Chief Executive and Head of Finance joined the meeting.</p> <p>There were no apologies as all in attendance.</p> <p>Christina Sadler was welcomed to her first meeting of the Audit Committee.</p>	
A/20/12/3	To approve the Minutes of the meeting of the Audit meeting held on 14 7 20 and any other matters raised previously not otherwise included in the Agenda
<p>The minutes of the meeting of 14 7 20 were agreed as a true record.</p> <p>Governors challenged whether the Regularity Manual had been reviewed. The Deputy Chief Executive advised that the manual contained various policies with different review dates. This year the financial authorisation levels had been updated by written resolution.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • Schedule for review of the Regularity Manual to be reported to the next Committee. To include list of policies, date for review and document owner. 	
A/20/12/4	To review the post-meeting action log
<p>The post meeting action log was reviewed and it was noted where complete or on the agenda.</p> <p>10 12 19 A/19/12/11 and 14 7 20 A/20/07/6.4 – The Deputy Chief Executive advised that the College would review the Business Continuity Plan by July 2021.</p> <p>14 7 20 A/20/07/8 – Internal Audit tender proposal on agenda at item 13.</p>	

A/20/12/5	Finance Update	
<p>The Head of Finance presented an update of finance which included key achievements in the year and key targets for 20/21.</p> <p>Governors challenged if the finance team was now sufficiently resourced. The Head of Finance advised that a qualified Deputy Head of Finance and an AAT trained Assistant Accountant had been recruited and the team upskilled. The team's development would continue with a revised structure and further upskilling through internal development and professional qualifications.</p> <p>Governors challenged if the team dynamics and morale had improved. The Head of Finance advised that the team were now working collaboratively and becoming more customer focused. This had been helped by a change of office to a more appropriate working environment and ensuring that work was up to date. The team was currently working part on and part off site, apart from Student Finance who were all on site. The team had completed a complicated year end audit that had resolved previous issues and clean balances had been transferred to the upgraded software. The upgraded software would further help to streamline processes.</p> <p>Governors noted the update and the assurance given.</p>		
A/20/12/6	Fraud Update	
<p>The Deputy Chief Executive presented the update which included an overview of the Audit Committees remit in relation to fraud and the newly introduced fraud register. The Register is to be completed for any occasions where fraud, or a near miss of fraud is detected and for this period there was a nil return.</p> <p>Governors challenged how fraud would be identified. The Deputy Chief Executive advised that the finance team would identify if there was unexplained errors and reconciliations didn't match.</p> <p>Governors challenged how staff would be aware of fraud risks and their responsibilities in relation to the Regularity and Compliance manual. The Deputy Chief Executive advised that she reminded budget holders at budget meetings about their compliance responsibilities and that the financial system had inbuilt authorisation controls. Governors agreed that all staff needed to be reminded of their responsibilities in relation to fraud avoidance.</p> <p>Governors agreed that the next Audit Committee should review the College's Fraud Policies and a College response to the Anti-fraud checklist for post-16 providers.</p> <p>The Committee agreed the following actions:</p> <ul style="list-style-type: none"> • Fraud Register to be a rolling register. • A fraud awareness article to be included in the staff newsletter. • College's Fraud Policies and a College response to the Anti-fraud checklist for post-16 providers to be considered at the next Audit meeting. 		<p>UR</p> <p>UR</p> <p>UR</p>

A/20/12/7	Action Log Internal Audit Recommendations	
<p>The Deputy Chief Executive presented the action log that recorded progress on Internal Audit recommendations with all due for completion by end July 21. The Internal Auditors commented that they also reviewed progress in their follow up audits. Governors commented that it was important that the committee was kept apprised of progress on the completion of agreed actions.</p> <p>The Committee agreed the following actions:</p> <ul style="list-style-type: none"> • Date of completion column to be added to demonstrate when actions were completed and could be closed. • Action log to be reviewed at each meeting. 		<p>UR</p> <p>UR</p>
A/20/12/8	Internal Audit Reports	
A/20/12/8.1	Teaching and Learning during Covid	
<p>The Internal Auditors presented the Teaching and Learning during Covid audit, this was the last audit of the 19/20 audit plan, as amended for Covid. This was an advisory audit with 5 advisory actions and had been carried out by one of RSM's sector specialists. It was acknowledged that the College reacted well in challenging circumstances and was learning from what worked and what didn't.</p> <p>Governors noted that the Committee had received a verbal update on this audit at its July meeting. There was need for the College to continue learning and it would be appropriate given their remit for the Standards Committee to consider the Teaching and Learning during Covid audit report.</p> <p>Governors challenged how many students were unable to access the College learning platforms during lockdown, what was the impact of that and what lessons had been learnt. The Deputy Chief Executive advised that during lockdown laptops were issued to those in need and the Corporation had approved additional capital resources this term for purchase of additional laptops and equipment for classrooms to ensure learning could continue be it online or a hybrid model.</p> <p>The Committee agreed the following actions:</p> <ul style="list-style-type: none"> • Teaching and Learning during Covid Audit to be referred to the Standards Committee 		<p>WS</p>
A/20/12/8.2	Annual Internal Audit Report and Opinion Year ended 31 July 2020	
<p>The Internal Auditors presented the report which concluded with a positive opinion that:</p> <ul style="list-style-type: none"> • The organisation has an adequate and effective framework for risk management, governance and internal control. <p>However, our work has identified further enhancements to the framework of risk management, governance and internal controls to ensure that it remains adequate and effective.</p>		

Governors noted that this was a positive opinion and that this conclusion had been included in the Committee's Annual Report to Corporation.		
A/20/12/8.3	Annual Audit Plan	
<p>The Internal Auditors presented the Audit Plan which had been developed in consultation with the senior team and the Chair of Audit.</p> <p>Governors challenged that given the cost was the Mock Funding Audit value for money. The Deputy Chief Executive advised that this was an area of high risk to income given that the 80% of College income was from government grants. It would be carried out by a specialist funding auditor and would also help to develop the team. The Director of Governance advised that the Mock Funding Audit had been rolled over from the previous plan and was follow up to previous Mock Funding Audits.</p> <p>Governors noted that the audits needed to be tightly scoped, including the selection of which financial systems to review in the Key Financial Systems Audit, to ensure that the risks to the College were being addressed and in addition the College was receiving added value from the audits.</p> <p>Governors commented that market share was a key risk to the College's income and it was appropriate therefore to include the Securing Market Share and Reputation Audit in the plan.</p> <p>The Committee agreed the following actions:</p> <ul style="list-style-type: none"> • Committee to be updated on the scoping of Audits including the selection of which financial systems to review in the Key Financial Systems Audit <p>Governors resolved to recommend the Annual Audit Plan to the Corporation.</p>		UR
A/20/12/8.4	RSM briefings - Emerging Issues FE Autumn 20 and Coronavirus briefing November 20	
<p>The Committee noted the RSM briefings.</p> <p>DH left the meeting</p>		
A/20/12/9	External Audit Annual Accounts and Management Letter	
A/20/12/9.1	Management Letter	
<p>The External Auditors presented the management letter to the Committee and advised that it had been a challenging audit due to historical issues. These issues included problems with opening balances, nominal ledgers that hadn't been included and the rebuilding of the fixed asset register.</p> <p>The Committee discussed the Audit and Accounting Issues Identified during the Audit:</p> <ol style="list-style-type: none"> 1. Partial VAT exemption application <p>Governors noted that the partial exemption application relating to the Energy Centre was still outstanding. The Deputy Chief Executive advised that if the application was approved the LEP who had funded the Energy Centre had advised that the monies should be spent on the Energy Centre.</p>		

2. The segregation of the college and subsidiary accounting records

The External Auditor advised that due to combined accounting records there is a substantial amount of additional work required to prepare ECETA and ECC's individual trial balances to prepare the accounts. The Deputy Chief Executive advised that work was ongoing to upgrade the software which would resolve this issue and this should be completed by February 2021.

3. Energy Skills Centre

The External Auditor advised that due to Covid there had been significant reduction in the Energy Centre's use and if this didn't improve there was a risk of impairment. The Deputy Chief Executive advised that work was ongoing to ensure that the use of the Energy Centre was maximised.

4. Sales credit notes

The External Auditors advised that during their work on sales credit notes it was identified that the system did not record the persons who requested them. It only records the persons who approved them and this could therefore be the same person. The Committee noted that this was a risk and the Head of Finance advised that the settings were being reviewed to ascertain whether sales credit note requester could be recorded.

5. Fixed asset register

Governors challenged what the issue with the fixed asset register had been. The External Auditor advised that formula errors had been identified. In 2020 the fixed asset register was completely rewritten to ensure that it was accurate and fit for purpose and a prior year adjustment had been made. The Head of Finance advised that the College would consider the cost to benefit of the fixed asset module on the financial system once the main system had been upgraded.

Governors challenged if the finance system was fit for purpose. The Head of Finance advised that once the upgrade was complete it would be.

6. Learner Support Fund

The accounting for the Learner Support Fund was noted.

7. Bank covenants

The External Auditors advised that two of the College's bank covenants were applicable quarterly as well as annually. As income and costs vary quite considerably the Bank has to date been flexible in the quarterly application. There is however a risk that the bank won't continue to be so flexible as banks are becoming more nervous about the security of their lending as a result of the pandemic, and as a result of the general deterioration in the financial health of the education sector. It was recommended that the Board should seek clarity from the bank as to what time they would be given to rectify should a quarterly breach of covenant occur so that they could be assured there would be adequate time to remedy before there were any implications to the borrowing.

The Deputy Chief Executive advised that she reviewed the finances with the Bank monthly. The quarterly reviews have not been carried out by the Bank due to Covid.

<p>The budget for 20/21 forecast that covenants would be met with the College taking action to mitigate areas where income had reduced.</p> <p>The Committee agreed the following actions:</p> <ul style="list-style-type: none"> • Bank to be contacted for a formal response on how they would approach a quarterly covenant breach. • Projections on the quarterly covenants to be carried out to determine the risk of breach. 	<p>UR</p> <p>UR</p>	
<p>A/20/12/9.2</p>	<p>Letter of Representation and Adjustments</p>	
<p>The External Auditors presented the Letter of Representation and advised that there was nothing included that the Committee should feel uncomfortable with. The non-adjusted errors were listed and these had not been adjusted as they did not reach the materiality threshold.</p>		
<p>A/20/12/9.3</p>	<p>College Accounts 19 20</p>	
<p>The Committee discussed the going concern statement. It was noted that in considering going concern the Board needed to consider the likelihood of the bank covenants not being met. The 4 covenants being::</p> <ul style="list-style-type: none"> • Cashflow cover – cash flow available for debt financing (CFADS) • Leverage – total gross debt on the last day of each period measured against EBITDA • Income gearing • Cash days <p>The External Auditors advised that the going concern note in the financial statements has been expanded to explain the position and took into account the uncertainty of Covid.</p> <p>The Committee discussed the Audit Committee’s statement in the accounts:</p> <p><i>The Audit Committee considered the solvency of the Corporation through the internal and external audit reports as well having due regard to the management accounts and integrated finance model at full Corporation. These demonstrated that the College was solvent with an adequate cash flow.</i></p> <p>And agreed that it was a reasonable statement to make given the information considered.</p> <p>The Committee agreed the following actions:</p> <ul style="list-style-type: none"> • Table on page 20 of the accounts under summary findings to be removed. 		
		<p>UR</p>

A/20/12/9.4	ECETA Annual Accounts – to be agreed by ECETA Board at its meeting 1 12 20	
<p>The Committee noted ECETA's annual accounts and that they were to be reviewed by the ECETA Board.</p> <p>The Deputy Chief Executive advised that they were included in the College's group accounts.</p> <p>UR left the meeting.</p>		
A/20/12/10	To Review the Risk Register	
A/20/12/10.1	Strategic Risk Register	
A/20/12/10.2	Covid Risk Register	
A/20/12/10.3	Tactical Risk Registers	
<p>The Committee reviewed the risk registers and noted the comments from the Committees on their tactical registers. It was agreed that the action plans were useful to understand the actions that were taking place to mitigate the risks and should be continued.</p> <p>Governors discussed the Covid Risk Register and the substantial mitigation and actions that had been in place to ensure that the College could continue to open safely.</p> <p>Governors agreed that the significant concerns were the risk to income particularly Maritime, apprenticeship and Commercial. Maritime income had been decimated due to Covid. The Director of Governance advised that the Senior Team and Finance and General Purposes had considered the maritime provision and agreed not to shut the provision as it would then be difficult to relaunch and a small amount of provision was therefore to continue with cost savings maximised.</p> <p>Governors discussed if business interruption payments would be claimable from the insurance company for non-government funded income. The Director of Governance advised that this had been raised at Corporation and the Deputy Chief Executive had been asked to look into it.</p> <p>.The Committee agreed the following actions:</p> <ul style="list-style-type: none"> • Risk Register Action Plans to be continued to be reported to the Audit Committee. 		UR
A/20/12/11	Annual Report GDPR, Whistleblowing and Freedom of Information	
<p>The Director of Governance presented the annual report. The summary report included an update of GDPR, whistleblowing and Freedom of Information requests. The majority of freedom of information requests were from the press.</p> <p>Governors discussed the GDPR report and noted that only one breach had been reportable and challenged how breaches were notified. The Director of Governance advised that the majority of breaches were self-referrals which demonstrated that staff</p>		

	<p>were aware of GDPR and the need to report breaches. The Data Protection Officer regularly updated staff including advice on GDPR during lockdown.</p> <p>The Committee noted the number of subject access requests that had been generated by the predicted exam grades.</p>	
A/20/12/12	Annual Audit Committee Report	
	<p>The Director of Governance presented the Annual Audit Committee Report to Corporation. This would be updated to reflect the Annual Accounts conclusions.</p> <p>The Governors noted that the Committee’s self-assessment had identified the need for an additional financially qualified member and this had been addressed and that the consideration of VFM needed to be improved.</p> <p>The Committee agreed the following actions:</p> <ul style="list-style-type: none"> • VFM assurance to be considered at the next meeting. <p>Governors resolved to recommend to Corporation:</p> <ul style="list-style-type: none"> • the Annual Audit Committee Report and • that the Audit Committee’s membership in the terms of reference be amended to ‘Not fewer than four Independent members including up to two Associate Governors in order to maximise the Committee’s independence and objectivity.’ 	UR
A/20/12/13	Confidential – Internal Audit Tender	
A/20/12/14	Agenda Planning	
	<ul style="list-style-type: none"> • Fraud policy and a report on the College’s responses to ESFA ‘Post-16 Audit Code of Practice Anti-fraud checklist for post-16 providers. • Contracts register – to include start, end date and contract amount. • VFM to be considered as identified in the Committee’s self-assessment as an area for improvement. • Schedule for review of the Regularity Manual 	
A/20/12/15	Review of Meeting	
	<ol style="list-style-type: none"> 1. Confidential Items: Annual Accounts until approved and Internal Audit Tender 2. Risk Management: As noted in agenda item 3. Health and Safety: Covid covered in the risk register 4. Equality and Diversity: None 5. Media: None 6. How did the meeting go: A long and detailed one 	
	Date of Next Meeting	

27 4 21	
13 7 21	